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In the Matter of the Dispute Between

WATERLOO COMMUNITY
SCHOOL DISTRICT

and

WATERLOO EDUCATIONAL
SUPPORT PERSONNEL

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ARBITRATION
AWARD

Richard Pegnetter
Arbitrator

October 8, 2002

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APPEARANCES

For the District:

Gary Ray, District Representative and Chief Negotiator
Brian Gruhn, Attorney and District Representative
Don Hoskins, Attorney and District Representative

For the Association:

Roger White, Director, Hawkeye UniServ Unit
Betty Fuller, Iowa State Education Association Budget Specialist
Sandi Ubben, Association Witness
Becky Woodyard, Association Witness
Arlene Stocks, Association Witness

On September 25, 2002, a hearing in the above matter was held before the undersigned Arbitrator in Waterloo, Iowa. During the hearing, both the Association, Waterloo Educational Support Personnel, and the District, Waterloo Community School District, were given full opportunity to present evidence and testimony. The hearing began at 5:30 PM on September 25 and ended at 2:40 AM on September 26. Following the hearing, a request to provide further evidence was made by the Association, with notice to the Arbitrator by the District that the Association request was forthcoming. Preliminary to any review of the evidence in the document offered by the Association, a joint-party telephone discussion of the Association request was initiated and conducted by the Arbitrator on October 4, 2002. After hearing procedural comments from both parties during the phone conference, the Arbitrator ruled that no further evidence would be reviewed or admitted and that the original record developed during the hearing on September 25 and 26, 2002 would not be amended. The Iowa Public Employment Relations Board was advised of this ruling by the Arbitrator by phone on October 4, 2002. Neither party filed a post-hearing brief.

Background. The Waterloo Community School District is one of the larger districts in Iowa and serves about 11,000 students in the northeast central area of the state. The Association represents a bargaining unit that includes secretaries, study hall monitors, home school workers, attendants, teacher associates, and special education associates. During 2002, the parties proceeded through negotiations and impasse procedures, including fact-finding, in their effort to conclude a new 2002-03 agreement. A Fact-Finder, Lon Moeller, was selected by the parties and conducted a hearing on June 21, 2002. He provided the parties with a Recommendation to resolve the dispute on July 2, 2002. This Recommendation was not successful and the bargaining dispute continued to arbitration. The parties then selected the undersigned as Arbitrator. The parties had mutually agreed to waive the statutory time-lines for impasse procedures at the fact-finding phase of the process and no issue of timeliness was raised regarding arbitration. At arbitration, the parties presented WAGES as the sole ISSUE AT IMPASSE for determination by the Arbitrator.

WAGES. The current 2001-02 contract establishes a base rate of \$7.00 per hour for all unit staff, with nine steps that provide increases ranging from \$.17 to \$.25 per hour. A longevity increase of \$.07 per hour increase is provided for employees beyond step nine on the schedule. In addition, five "differential rates" are provided for certain categories of employees in the unit. These range from \$1.06 per hour for head building secretary to \$.50 per hour for employees who have earned a B.A. degree. The Association proposes an increase of \$.18 per hour on each of the nine steps on the pay schedule. The Association estimates the increased cost of its wage proposal at 5.72% for the 2002-03 contract year. The District proposes the continuation of the current wage schedule, with no changes in the raises for step increments. With employees receiving step and longevity increases, the District calculates the increased cost of its proposal at a 4.12% gain over 2001-02 wages paid to unit employees. The Fact-Finder recommended an across-the-board increase of \$.06 on each of the nine steps on the wage schedule. This increase is estimated to provide an overall 4.66% increase in wages for the bargaining unit employees.

Position of the Association. The Association argues that its offer of a 5.72% increase is the most reasonable on the basis of wage comparisons with similar schools in Iowa and bargaining history within the Waterloo Community School District. The Association also submits that the Association final offer is within the financial ability of the District and compares well with other raises provided to non-bargaining employees. The Association urges a focus on wage patterns, rather than a consideration of total compensation and fringe benefits.

Regarding wage comparisons, the Association uses data from the larger districts in Iowa to contend that other, similar employees will realize average hourly increases of \$.30 or more

(Association Exhibits 33 and 34). These 2002-03 bargaining increases will provide compensation gains, which range from 2.25% to 6.62%. The Association final offer is within this range. The Association further submits that Waterloo support staff have fallen behind their counterparts in similar districts. The Association provided evidence to show that, over the past 12 years, the gap between Waterloo support staff salaries and the average per-hour wage for their counterparts in similar districts had widened and nearly doubled in some instances (Association Exhibits 27 through 29).

The Association also maintains that the raises provided to an administrative support group outside the bargaining unit should be part of the context for evaluating wage increases for Association unit members. The Association notes that these non-unit, but similar, employees of the District were given salary increases of 3.5% in 2000-01 and similar wage increase of 3.62% to 4% in 2001-02. The Association emphasizes that unit employees only received about a 1% wage increase in 2001-02 (Association Exhibit 30).

The Association places special emphasis on wage-only data in its arguments. That is, the Association urges that past negotiations with the District and current comparisons with other relevant settlements should measure only the wage component and not expand to compare fringe benefits. The Association stresses that the Iowa bargaining law provides for a “[c]omparison of wages..” and not percentage increases (Association Exhibit 9). The Association further urges that this language should be interpreted to mean raw or actual wages, not total package increases. The Association especially faults the Fact-Finder for using percentages and total package costing in justifying his Recommendations. The Association draws special attention to the hourly wage increase in Davenport for 2002-03, awarded by Arbitrator Paul Lansing at \$.25 per hour for para-educators, a job category similar to positions in the Waterloo support unit (Association Exhibit 35). The Association maintains that the Arbitrator’s selection of the final offer of the District or the position of the Fact-Finder in the instant dispute will cause further deterioration of Waterloo wage levels in the comparison group.

The Association also cites evidence of fundamental need and ability to pay in justifying its final offer of an \$.18 per hour increase for 2002-03. The Association provided witness testimony from former and current employees to show that valuable staff members left District employment for better pay or continued to work at the District at pay levels that qualified them for government assistance programs (Association Exhibits 49 and 50). The Association further submits that the awarding of their final offer would have no significant impact on the District’s financial picture. The Association contends that the District has a large unspent balance in its current budget and that Waterloo is one of the few districts in Iowa with growth money in 2002-

03 (Association Exhibits 56 through 60). Against the backdrop of an unspent balance of \$3.4 million alone, the Association estimates that its wage proposal would cost the District only an additional \$60,700 more than the Fact-Finder's recommended wage increase (Association Exhibits 18 and 19).

The Association urges that its final offer is supported by wage comparisons; would have no negative financial impact on the District; and would keep Waterloo support staff wages from further eroding against both similar districts and basic living standards.

Position of the District. The District supports its wage position with an emphasis on wage comparisons, which include both hourly rates and insurance benefits. The District, like the Association, uses data from the larger school districts in Iowa. The District estimates that its final offer would result in a 4.12% wage increase as staff moved up on the schedule steps, or were awarded longevity increases if they had already reached the maximum ninth step on the schedule. The District submits that the average 2002-03 settlement for similar schools is 4.14% (District Exhibit S-1). The District stresses the competitive measure of its final offer of 4.12% against this settlement trend. The District contends that its position will sustain the salary levels in Waterloo within the comparison group and notes that all staff in the bargaining unit will receive an increase for 2002-03 (District Exhibit C-2). The District emphasizes that most other comparison schools have only a limited number of longevity increases, while there is no cap on the \$.07 per hour longevity increment in Waterloo (District Exhibit W-3).

The District maintains that the major factor in keeping Waterloo competitive in wage comparisons is insurance. The District provided evidence to show that Waterloo support staff enjoy a high level of insurance benefits, relative to similar employees in other large Iowa school districts. The District estimates the value of insurance benefits to average \$2.86 per hour in 2001-02 (District Exhibit I-3). The District contends that comparing basic wages and benefits together shows Waterloo in a highly competitive position within the group of similar schools (District Exhibits W-11,13,16,19). The District submits that insurance was aggressively negotiated by the Association in past years as a trade-off for higher wages. The District urges that it is inappropriate to now emphasize only basic wage rates in comparing Waterloo support staff with other districts, given this bargaining history.

The District argues that the use of "total package" measures in comparing settlements is common and well understood by the parties in Waterloo (District Exhibit I-1). The District notes that the Association frequently uses the concept of total package increases or costs in representing both Waterloo employees and in similar districts. The District contends that either the final offer

of the Association or the position of the Fact-Finder would exceed the cost of average total package settlements in the comparison group.

The District also argues that ability to pay and internal comparisons are a critical factor in justifying the District's final offer of a 4.12% increase. The District stresses that staff reductions in the bargaining unit have already been necessary and that more could result from an inequitable wage increase (District Exhibit B-1). The District notes that Waterloo is below average in maximum authorized budget in the comparison group (District Exhibit B-3,4). Similarly, the District submits that it is below the average unspent balance among similar schools (District Exhibits B-6,7). Consequently, the District maintains that any new salary expenditures which exceed the average for the comparison group will work a greater hardship on the Waterloo school system's budget. The District also notes that budget cuts from state funding are expected to continue and further stress the District's funding picture. Finally, the District urges that internal settlements with other District bargaining units be considered. The District submits that the support staff unit would exceed the other units with the District final offer. The teacher unit settled at 3.95% and the AFSCME unit will see a 3.04% increase for 2002-03 (District Exhibit S-5). The District contends that either the Association or Fact-Finder positions would far exceed these internal comparisons at 5.72% or 4.66%.

In sum, the District maintains that its final offer is supported by the evidence. A 4.12% increase will be at the average for the comparison group and balance the strong insurance program by Waterloo support staff in comparing overall compensation across other districts. The District argues that its offer is also the most reasonable when the relative financial position of the District is viewed in comparative context.

Recommendation of the Fact-Finder. The Fact-Finder based his recommended increase of \$.06 per hour on wage comparisons, bargaining history, and internal considerations. Regarding wage comparisons, the Fact-Finder concluded that the District had "...slipped behind the comparables since the 1998-99 contract.." and "...runs the risk of falling even further behind the comparables in terms of relative wage rankings" (Association Exhibit 3). The Fact-Finder noted that the parties had not negotiated large increases on the base wage for the support staff unit, with important parts of the total compensation package being directed toward insurance benefits. The Fact-Finder noted that the parties had used a total package approach in negotiating the last contract and that support staff unit members enjoyed a strong insurance benefit. In justifying his \$.06 per hour recommendation, the Fact-Finder noted that "...there is need for some wage catch-up in this unit." The Fact-Finder felt that limiting wage increases to step and longevity increases would have the effect of "...freezing base wage rates for a second year.." and

causing further wage erosion. The Fact-Finder also indicated his concern with recommending a wage increase that would further staff cuts and ignore the impact of state budget shortfalls. The Fact-Finder proposed a 2002-03 increase of 4.66% and compared it to the 4.62% increase in 2001-02.

Discussion. The essence of this dispute involves the value and balance of wages and insurance benefits for the employees in the support personnel unit. The Association contends that wages should be considered in isolation and that insurance is a separate matter, not an issue before the Arbitrator in this impasse procedure. The District argues that insurance benefits for the support staff represent an important bargaining trade-off that employees consciously selected in favor of larger wage increases. The Fact-Finder sought a more middle ground, with recognition of the value of insurance benefits within any wage increase.

Two important points need to be discussed before evaluating the reasonableness of the three choices before the Arbitrator. First, it is appropriate to use a "total package" approach to evaluating any of the three choices before the Arbitrator. I find little strength in the Association's argument that only the wage costs of any settlement should be considered. The parties themselves negotiated their last agreement on the basis of a total package, which included both wages and insurance costs (Joint Exhibit 1). Negotiations are a bilateral process and it is clear that, as one of the two parties at the table, the District calculates and negotiates any changes in compensation costs on a total package basis. Employer-paid fringe benefits have long been part of compensation or "wages" in American industrial relations and I find no significant evidence to the contrary in this dispute. While only salary or base wage rates are before the Arbitrator for a final offer selection, total compensation is a critical context for judging the reasonableness of that wage rate selection.

Second, the final offer of the District does not represent a freezing of wages under the terms of the agreement for Waterloo support personnel. The contract provides for annual step increases for the first nine years of employment, and an unlimited number of longevity increases after step nine. This means that every employee gets some form of wage increase under the terms of the agreement, even if there is no change in the amounts specified under the 2001-02 agreement for step and longevity increments.

When the final offers of the Association and the District are tested against the evidence, I find each of them flawed. The Association offer of a 5.72% increase is not supported by the comparison data. This increase would be among the highest in the group of similar schools. Only three districts of 16 would have higher settlements for 2002-03 than Waterloo under the Association proposal (Association Exhibits 33 and 34). Further, the Association position is

substantially above the average 4.14% or 4.32% cited for the comparison group (District Exhibit S-2,3). Internally, the other units within the Waterloo school system would all see significantly lower increases. The Waterloo teacher unit is scheduled for a 3.95% increase in the 2002-03 (District Exhibit S-5). While they are not employees performing the same work as the support personnel, teachers are as similar to the support unit as the non-bargaining Waterloo staff the Association reviewed for the Arbitrator (Association Exhibit 30).

Regarding the position of the District, a 4.12% increase is not appropriate for 2002-03. There has been some deterioration of the relative salary position of Waterloo support personnel. For nearly every position classification in the unit, the gap between Waterloo wage rates and the average for the comparison group has increased. For example, in 1999 the building secretary in Waterloo was \$.66 below the hourly rate for the comparison schools at 10 years of experience. By 2002, that difference had building secretaries in Waterloo \$1.28 behind their counterparts in similar districts (Association Exhibits 27 and 28). This situation will not be addressed by the District's final offer. The average cents per hour increase for the 20 largest school comparison group is \$.28 for support associates in 2002-03. Similarly, the Association estimates the average hourly increase for associates in comparison schools at \$.32 in 2002-03 (Association Exhibit 34). The District final offer would only provide from \$.07 to \$.25 for associates in 2002-03.

Appropriately, the District emphasizes the value of the insurance package negotiated in past years for the support personnel unit. This is clearly a valuable element of total compensation for the bargaining unit. Waterloo support staff enjoy one of the strongest insurance packages in the group of similar schools, especially for single employees. They qualify at hours per week worked at a level below their counterparts for single health coverage and have better family health benefits than the comparison schools (District Exhibits I-6,10). The District estimates the value of employer paid insurance at \$2.68 per hour for secretaries in the Waterloo unit (District Exhibit I-5). The Fact-Finder also accorded recognition to the value of insurance benefits at Waterloo and incorporated them in his Recommendation (Association Exhibit 3).

Regarding the Fact-Finder's position, I find his recommendation of a 4.66% or \$.06 per hour increase to be the most reasonable of the three final offers before the Arbitrator. This finding is based on the following evaluation of the evidence presented at the arbitration hearing.

1. A \$.06 per hour increase would be more consistent with hourly wage increases in the comparison group. A \$.06 increase would generate a range of increases from \$.13 to \$.31 per hour for support staff at Waterloo. This would be closer to the average increases for employees in similar districts, reported at \$.28 to

\$.22 by the District and around \$.30 by the Association (District Exhibit S-13, Association Exhibits 33 and 34).

2. A 4.66% total package increase would be in the range of other settlements within the comparison group. This range is from 2.25% to 6.62% for 2002-03 (Association Exhibits 33 and 34). This increase for Waterloo would also be similar to the 4.32% for the comparison group cited by the District (District Exhibit S-3). While not given significant weight, a 4.66% increase for 2002-03 would also be consistent with last year's increase for the unit at 4.62% (District Exhibit S-9).
3. A \$.06 per hour increase shows a reasonable concern for the District's 2002-03 budget condition. While still adjusting to state budget cuts, the District is well managed and has a healthy unspent balance (Association Exhibit 56). Waterloo is one of the few districts in the state to see a limited growth in new money (District Exhibit B-1). The award of a \$.06 per hour increase is estimated to cost \$269,508 or \$30,222 more than the District proposal at a cost of \$239,286. The District's maximum authorized budget is \$77,294,656 (District Exhibit B-3).
4. A \$.06 per hour increase is needed to keep wages and total compensation competitive for Waterloo support staff. While last year's settlement did not represent a freeze, it did reflect no change in the value of step increases or longevity increments. An increase of \$.06 per hour across the board will slow the erosion of Waterloo base wages within the comparison group by adding to both step and longevity increments. The District final offer would not accomplish this. However, it should also be noted that Waterloo support staff have no upper limit on years of longevity increases, an important wage provision for more senior employees.
5. A larger increase than \$.06 is not justified when insurance benefits are balanced in the total compensation package for Waterloo support staff. The support personnel in Waterloo enjoy a valuable, single insurance coverage that is highly competitive with the comparison group. This area of fringe benefit is costly and has an impact on overall compensation. The District cites an increase in per employee cost from \$281.15 per month in 2001-02 to \$323.04 in 2002-03 (District Exhibit I-6). This same exhibit shows that Waterloo was about average in total dollar employer contribution to single health coverage in

2001-02. Added value must also be associated with the smaller number of hours worked per week needed to qualify for full single insurance coverage in Waterloo, compared with similar districts (District Exhibit I-7). While the cost of the employee contribution to family insurance has increased for the employee, the contribution of the District remains at 50% and the increased dollar amount is also shared by the employer. Even though the increased cost of the employee-paid portion of family coverage adds an unwelcome burden, the evidence shows the District to be above average in the comparison group for this important benefit area (District Exhibit I-10)

6. While a total package increase of 4.66% is above the increase for other internal groups with whom the District bargains, a 4.66% increase compares well with similar employees in comparable districts in Iowa. The evidence also shows that support staff increases have slightly exceeded other internal settlements in Waterloo over the past three years. This award is consistent with that pattern (District Exhibit S-5).


In sum, a \$.06 per hour wage increase is the most reasonable of the three final offers before the Arbitrator. It best reflects the level of wage increase for support employees in other, similar districts in Iowa in 2002-03. A total package increase of 4.66% will have an acceptable impact on the District's budget and shows due consideration for the District's ability to fund an increase. The \$.06 per hour increase will touch all employees in the unit and insure a more competitive wage, especially with the comparative strength of insurance benefits in Waterloo measured as part of total compensation. The evidence does not support a 5.72% wage increase and an increase below 4.66% would cause Waterloo support personnel to lag behind similar public employees in Iowa.

Therefore, in accordance with the above discussion, I hereby make the following

AWARD

The Recommendation of the Fact-Finder is selected as the most reasonable final offer on WAGES. The base wage rates provided on Schedule B of the contract will be increased by \$.06 per hour as an across the board increase for the 2002-03 contract year. These increases will be retroactive to the normal July start of the 2002-03 contract year.

Bonita Springs, Florida
October 8, 2002


Richard Pegnetter
Arbitrator